

LINE OF BUSINESS: Credit

LINE(S) OF INSURANCE
Creditor-Placed Insurance

CODES
28.0004

Code: 28.0000

IF CHECKLIST IS NOT APPLICABLE, PLEASE EXPLAIN:

REVIEW REQUIREMENTS	REFERENCE	DESCRIPTION OF REVIEW STANDARDS REQUIREMENTS	LOCATION OF STANDARD IN FILING
GENERAL REQUIREMENTS FOR ALL FILINGS			
COPIES, RETURN ENVELOPES, ETC.	Procedures Manual for Non-SERFF filings	All filings must include a copy of the cover letter along with a self-addressed stamped envelope.	
COVER LETTER AND EXPLANATORY MEMORANDUM	Procedures Manual for Non-SERFF filings	All filings must include a cover letter and all filings except for new program filings must contain a filing memorandum that identifies and explains changes to previously filed policy forms, endorsements, rules, and rates by form number, rule number, and manual page number.	
EFFECTIVE DATE WORDING	MCLA 500.1607	Creditor-placed insurance shall become effective on the latest of the following dates: the date of the credit transaction, the date prior coverage lapsed, one year before the date on which the related insurance charge is made to the debtor's account, a later date provided for in the agreement between the creditor and insurer.	
	MCLA 500.2236	Failure of the commissioner to act within 30 days after submittal constitutes approval.	

REVIEW REQUIREMENTS	REFERENCE	DESCRIPTION OF REVIEW STANDARDS REQUIREMENTS	LOCATION OF STANDARD IN FILING
FILING SUBMISSION	MCLA 500.2406	Every insurer shall file with the commissioner every manual of classification, every manual of rules and rates, every rating plan, and every modification of any of the foregoing that it proposes to use.	
LIMITATIONS/RESTRICTIONS ON TRANSACTING BUSINESS	MCLA 500.640	An insurer transacting business in this state shall not expose itself to any loss on any 1 risk or hazard in an amount exceeding 10% of its paid-up capital and surplus. However, no portion of a risk or hazard that has been reinsured in an insurer licensed to do insurance business in this state shall be included in determining the limitation of risk prescribed in this section.	
Line of Authority	MCLA 500.402	No person shall act as an insurer and no insurer shall issue any policy or otherwise transact insurance in this state except as authorized by a subsisting certificate of authority granted to it by the commissioner pursuant to this code.	
NO FILE OR FILING EXEMPTIONS	MCLA 500.1615 and Bulletin 97-03	Forms must be filed for prior approval. These forms are NOT exempt from filing.	
THIRD PARTY FILERS AUTHORITY	MCLA 500.2436	A corporation, an association, a partnership, or an individual, whether located within or outside this state, may make application to the commissioner for a license as a rating organization to make rates and insurance contract forms for the kinds of insurance or subdivisions thereof, except for worker's compensation insurance	
	Procedures Manual for Non-SERFF filings	General authority must be granted by letter from Insurance Company	
GENERAL REQUIREMENTS FOR ALL FILINGS			

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FORMS—POLICY PROVISIONS			
ACCESS TO COURTS	MCLA 500.1629	A person aggrieved by a final order, decision, finding, ruling, action, or inaction provided for under this chapter may seek judicial review as provided in section 244.	
AMBIGUOUS & MISLEADING	MCLA 500.2236	Upon written notice to the insurer, the commissioner may disapprove, withdraw approval or prohibit the issuance, advertising or delivery of any form to any person in this state if it violates any provisions of this act, or contains inconsistent, ambiguous or misleading clauses, or contains exceptions and conditions that unreasonably or deceptively affect the risk purported to be assumed in the general coverage of the policy.	
		An unfair method of competition and an unfair or deceptive act or practice in the business of insurance means the making, issuing, circulating an estimate, illustration, circular, statement, sales presentation, or comparison which by omission of a material fact or incorrect statement of a material fact causes a misrepresentation.	
BANKRUPTCY PROVISIONS	MCLA 500.3004	No policy shall be issued unless it contains provisions as required in section 3006.	
	MCLA 500.3006	Insolvency or bankruptcy of the insured shall not release the insurer from payment of damages	
CANCELLATION & NON-RENEWAL			
Calculation of Unearned/Return Premium	MCLA 500.3020	Pro-rata	
Conditional Renewal			
Minimum Retained Premium	MCLA 500.3020	Not less than \$25 or the pro-rata premium for the expired time, whichever is greater.	

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Notice of Cancellation/Non-renewal	MCLA 500.3020	Not less than 10 day written notice to the last known address of the insured.	
Permissible Reasons for Cancellation/Non-renewal	MCLA 500.1607	Creditor-placed insurance shall terminate on the earliest of the following dates: the date other acceptable insurance becomes effective, the date the collateralized personal property is repossessed, the date the collateralized personal property is determined by the insurer to be a total loss, the date the debt is completely extinguished, an earlier date specified in the individual policy or certificate of insurance.	
Return Premium	MCLA 500.1617	Not later than 60 days after the termination of creditor-placed insurance coverage, and in accordance with sections 2833(1)(h) and 3020(1)(c), an insurer shall refund any unearned premium or other identifiable charges.	
FORMS—POLICY PROVISIONS			
Notification Form	MCLA 500.1625(4)	The initial notice under this section shall be in a form determined by the creditor to remind the debtor of the requirement to maintain insurance on the collateral. The final notice under this section shall be as complete as the example provided in this section, printed in not less than 12-point type, and modified where necessary to fit the nature of the credit transaction.	
CONTENT OF POLICIES	MCLA 500.1621	For a creditor to place insurance on collateral pledged by the debtor and pass the cost of the insurance on to the debtor, all of the following must be met: The creditor must have a security interest in the collateral, The credit agreement must require the debtor to maintain insurance on the collateral to protect the creditor's interest and it must authorize the creditor to place the insurance if the debtor fails to provide evidence of the insurance.	

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DISCLOSURES	MCLA 500.1621	The requirements listed in subdivisions (a) and (c) must be clearly disclosed to the debtor at the inception of the credit transaction.	
	MCLA 500.1625(1)	A creditor shall not impose charges, including premium costs and related interest and finance charges, on a debtor for creditor-placed insurance coverage unless adequate disclosure of the requirement to maintain insurance has been made to the debtor.	
DISCRIMINATION	MCLA 500.2027	It is unfair and deceptive to refuse to insure, or refuse to continue to insure, or limit the amount of coverage available to an individual or risk because of race, color, creed, marital status, sex, or national origin, residence, age, disability, or lawful occupation of the individual, or location of the risk, unless there is a reasonable relationship established between the classification and the extent of the risk.	
EXCESS COVERAGE	MCLA 500.1619(1)	Creditor-placed insurance coverage does not include any of the following: coverage for the cost of repossession; skip, confiscation, and conversion coverage; coverage for payment of mechanics' or other liens that do not arise from a covered loss occurrence; coverage that requires a debtor's insurance deductible to be less than \$250.00; coverage that is broader than the insurance coverages that meet the minimum insurance requirements of the credit agreement.	
FORMS MISCELLANEOUS	MCLA 500.1615	Within 30 days after the filing of the policy forms and certificates of insurance, the commissioner shall disapprove a form that does not conform to this act.	
FORMS—POLICY PROVISIONS			

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Arbitration	MCLA 500.2254	No provision, rule, or by-law shall be valid which bars any suit in any court in this state provided that any reasonable remedy for adjudicating claims established by the company has first been exhausted by the claimant before commencing suit.	
Deductibles	MCLA 500.3004	Creditor-placed insurance does not include coverage that requires a debtor's insurance deductible to be less than \$250.00.	
NOTICE REQUIREMENTS (The requirements of the following statutes apply only when the policy contains liability coverage)	MCLA 500.1619(4)	Whenever a claim is made on a creditor-placed insurance policy, the insurer shall furnish to the claimant a written statement of the loss explaining the settlement amount and the method of settlement.	
Payment of Loss Time Period	MCLA 500.2006(3)	Any part of the remainder of the claim that is later supported by proof of loss shall be considered paid on a timely basis if paid within 60 days after receipt of the proof of loss by the insurer.	
	MCLA 500.3004	No policy shall be issued unless it contains provisions as required in section 3008.	
	MCLA 500.3008	There shall be a provision that notice given by or on behalf of the insured to any authorized agent of the insurer shall be deemed to be notice to the insurer; also a provision that failure to give any notice required to be given by such policy within the time specified shall not invalidate any claim made if it shall be shown not to have been reasonably possible to give such notice and that notice was given as soon as was reasonably possible.	
FORMS—POLICY PROVISIONS			
READABILITY	MCLA 500.2236	Not less than 8 point type.	

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REBATES	MCLA 500.1623	Rebates or inducements; prohibitions Commissions to agents that are greater than 20% shall be demonstrated that they are not unreasonably high in relation to the services rendered.	
SUBROGATION	MCLA 500.1619(3)	In the event of a loss, no subrogation shall run against the debtor from the insurer.	
FILE & USE	MCLA 500.2430	Every such filing under this section shall state the effective date thereof, shall take effect on said date, shall not be subject to any waiting period requirements, and shall be deemed to meet the ratemaking standards. If, at any time within 15 days from and after the date of any such filing, the commissioner may give written notice to the insurer or rating organization in what respect and to extend her contends such filing fails to comply with the ratemaking standards and fixing a date for hearing not less than 10 days from the date of mailing of such notice. In the event that no notice of hearing shall be issued within 15 days from the date of any such filing, the filing shall be deemed to be approved.	
RATE, RULE, RATING PLAN, CLASSIFICATION, AND TERRITORY FILING REQUIREMENTS			
Individual Risk Rating	Procedures Manual for Non-SERFF filings	Mandatory for excess rates for specific policyholders (rates that are different from those you wish to remain on file for underwriting all other policyholders).	
RATE, RULE, RATING PLAN, CLASSIFICATION, AND TERRITORY FILING REQUIREMENTS			
LOSS RATIO STANDARDS	MCLA 500.1615(5)	A premium rate or schedule of premium rates is reasonable for purposes of this section if the rate or schedule of rates produces or may reasonably be expected to produce a loss ratio of 60% or greater.	

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PRICING	MCLA 500.2403(d)	Rates shall not be excessive, inadequate, or unfairly discriminatory.	
Charges	MCLA 500.1607	An insurance charge shall not be made to a debtor for a term longer than the scheduled and shall not be made to the debtor before the effective date of the insurance. If a charge is made to a debtor for a term that exceeds 1 year, the debtor shall be notified at least annually that the insurance will be canceled and a refund or credit of unearned charges made if evidence of acceptable insurance secured by the debtor is provided.	
Premiums	MCLA 500.1609	Premiums for creditor-placed insurance coverage may be calculated based on an amount not exceeding the net debt and shall not exceed the premiums charged by the insurer, computed at the time the charge to the debtor is determined.	
	Administrative Rules 500.1205	For the purposes of section 2403(1)(d) of the code, a rate is unreasonably high for the insurance coverage provided if it is unreasonably high in relation to anticipated losses or expenses, or both, or to the uncertainty of loss for the insurance coverage provided.	
RATE, RULE, RATING PLAN, CLASSIFICATION, AND TERRITORY FILING REQUIREMENTS			
RATE RANGES	R 500.1207	A reasonable classification system is a system designed to group individuals or risks with similar characteristics into rating classifications which are likely to identify significant differences in mean anticipated losses or expenses, or both, between the groups, as determined by sound actuarial principles and by actual and credible loss and expense statistics or, in the case of new coverages or classifications, by reasonably anticipated loss and expense experience.	

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RATING PLAN REQUIREMENTS	MCLA 500.2404(1)	The insurer must establish a secondary or merit rating plan to adjust rates on the basis of risk management technique implemented by the insured.	
Expense Modification Plan	R 500.1208	The expense portion of a rate shall, with regard to each category of expense, be examined and evaluated independently of the loss portion of the rate. Expenses shall not be presumed to change by the same percentage as losses are anticipated to change.	
Schedule Rating	Bulletin 2000-04	+/- 25% maximum for schedule rating type plans	
RATE/LOSS COST SUPPORTING INFORMATION			
Competition	MCLA 500.2403	A rate shall not be held to be excessive unless the rate is unreasonably high for the insurance coverage provided and a reasonable degree of competition does not exist with respect to the classification, kind, or type of risks to which the rate is applicable.	
Expenses	R 500.1207	A rate is not unfairly discriminatory because it reflects differences in anticipated expenses for classifications of risks with similar anticipated losses or because it reflects differences in anticipated losses for classifications of risks with similar anticipated expenses.	
Experience	R 500.1207	That data used in developing classifications and rates are derived from the experience of a population or sample of risks that is sufficiently similar to the anticipated insured population.	
RETURN ON EQUITY/INVESTMENT INCOME			

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SUPPORTING DATA	MCLA 500.2403	A rate is reasonably justified by differences in losses, expenses, or both, or by differences in the uncertainty of loss for the individuals or risks to which the rates apply. A reasonable justification shall be supported by a reasonable classification system; by sound actuarial principles when applicable; and by actual and credible loss and expense statistics	
OTHER	MCLA 500.1615	Within 30 days of filing, the commissioner shall disapprove a schedule of premium rates pertaining to the form if it does not conform to the standard set forth in this act. If the commissioner disapproves a form or schedule of premium rates, he/she shall promptly notify the insurer in writing of the disapproval, and the insurer shall not issue or use the form or schedule. The commissioner may withdraw approval of an approved form or schedule of premium rates when the commissioner would be required to disapprove the form or schedule of premium rates if it were filed at the time of the withdrawal.	